

September 21, 2001

**SUMMARY OF DETF APPLICATION OF THE  
EMPLOYER CREDIT RESERVE CREATED BY 1999 WIS. ACT 11.**

DETF determined each participating employer's share of the \$200,000,000 reserved for credit balances by 1999 Wis. Act 11, §27 (1) (b) 1., based on each employer's share of covered payroll in 1998, as required by this provision.

Beginning effective with the month of February 2000 (a month ahead of the March 1, 2000, starting deadline in the Act), the DETF applied the employer's credit balance against the amount the employer would otherwise have been required to contribute each month towards the employer's unfunded prior service liability.

Beginning with the month of February 2000, the DETF determined the amount due each month from each participating employer for contributions required under Wis. Stat. § 40.05 (2) (b) towards that employer's unfunded prior service liability. Since the amount due is a percentage of earnings, and a different percentage applies to each category of employment under Wis. Stat. § 40.23 (2m), the exact amount due can only be calculated after the employer reports earnings for each category of employment. This occurs during the following month.

If a participating employer pays DETF amounts in excess of required contributions -- and does not specifically elect to have the excess applied against that employer's prior service liability balance, as allowed by Wis. Stat. § 40.05 (2) (bg) -- the DETF gives the employer a credit invoice for the excess contributions.

While the Supreme Court injunction against implementation of 1999 Wis. Act 11 was in effect, employers paid monthly amounts toward all their required contributions, including the prior service liability. In August 2001, after the injunction was lifted, the DETF determined the amount paid toward each employer's unfunded prior service liability for each month from February 2000 through June 2001. Each employer was issued a credit invoice for the aggregate amount of monthly payments paid against the employer's unfunded prior service liability and the amount of the credit invoice (i.e., the amount due and paid from the employer against the employer's unfunded prior service liability for all months from February 2000 through June 2001) was deducted from the employer's balance in the \$200,000,000 credit reserve created by 1999 Wis. Act 11, § 27 (1) (b) 1.

Also in August 2001, the DETF received the employer's reports of earnings for July 2001. DETF calculated the amount due from each employer during July 2001 for the employer's unfunded prior service liability. DETF calculated the total required contributions due from each employer for that month using the appropriate percentages of earnings, subtracted the amount that the employer would otherwise have been

required to contribute under Wis. Stat. § 40.05 (2) (b) had there been no establishment of the \$200,000,000 credit balance, and compared the resulting figure against the amount of contributions actually deposited by the employer. DETF issued the employer a credit invoice for the difference and deducted the amount due in July 2001 from the employer for unfunded prior service liability from the employer's balance in the \$200,000,000 credit reserve created by 1999 Wis. Act 11, § 27 (1) (b) 1.

The DETF has followed the same procedure in each of the following months. To date (September 21, 2001), \$188,423,639 has been deducted from the \$200,000,000 employer credit reserve created by 1999 Wis. Act 11, § 27 (1) (b) 1.

Credit invoices may be applied against any amounts the employer owes to the WRS, at the discretion of the employer. The monthly employer report includes a line to list invoices and to make the payments required by the invoice or take the credit reflected by a credit invoice.